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U. S. DEPARTMENT OF AGRICULTURE • ECONOMIC RESEARCH SERVICE • MAY 1965 • FCR-28
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COSTS and RETURNS



**Commercial
Tobacco
Livestock
Farms**

**Bluegrass Area,
Kentucky**

1964

FARM COSTS STUDIES

This report is part of a continuing nationwide study of costs and returns on commercial farms and ranches by type and size in some of the important farming regions of the United States. The study is conducted under the general supervision of Wylie D. Goodsell, Farm Production Economics Division, Economic Research Service. Objectives, methodology, procedure, and terms are uniform for all areas covered in the study.

The 1964 costs and returns studies have been conducted on the following:

- Dairy Farms, Northeast and Midwest
- Corn Belt Farms
- Egg-Producing Farms, New Jersey
- Broiler Farms, Maine, Delmarva, and Georgia
- Cotton Farms
- Tobacco Farms, Coastal Plain, North Carolina
- Tobacco-Livestock Farms, Bluegrass Area, Kentucky
- Wheat Farms, Plains and Pacific Northwest
- Western Livestock Ranches

Summary statistics for all types of farms in the study are presented in a report, revised annually. The latest such report was published in 1964 and is titled: "Farm Costs and Returns, Commercial Farms, by Type, Size, and Location," Agriculture Information Bulletin No. 230, Revised 1964.

Information on the studies can be obtained from Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, Washington, D.C. 20250

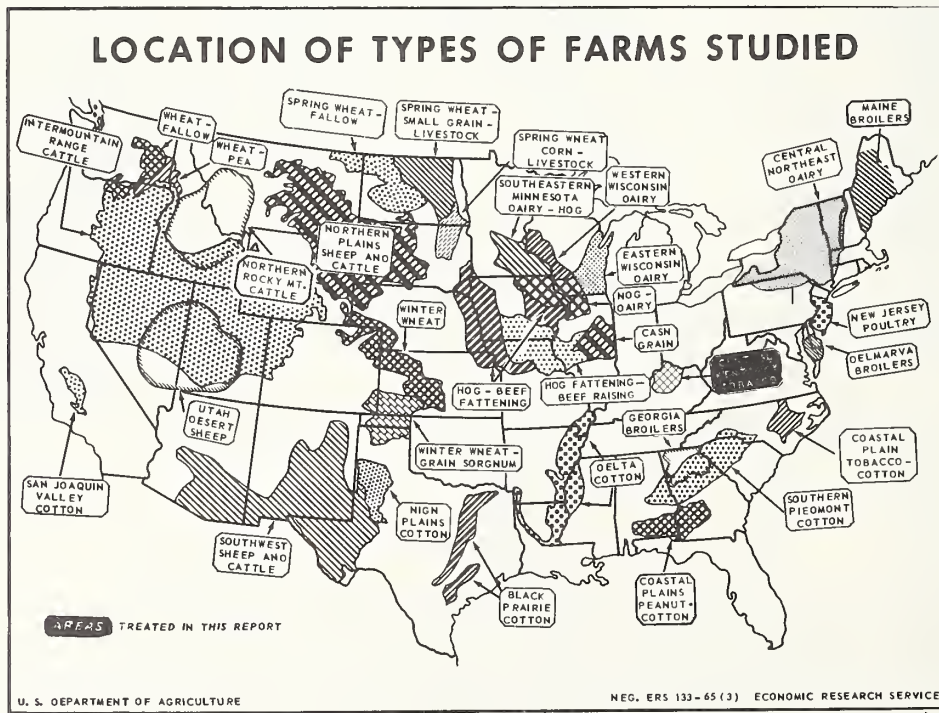


Figure 1

COSTS AND RETURNS COMMERCIAL TOBACCO-LIVESTOCK FARMS, BLUEGRASS AREA, KENTUCKY, 1964

Owen K. Shugars and John H. Bondurant¹

Net returns in 1964 on typical tobacco-livestock farms in the Bluegrass area of Kentucky were below those of 1963. However, except for the Inner Bluegrass area, the returns in 1964 were only slightly below those of 1961 and 1962 (figs. 1 and 2). Estimates of net farm incomes in 1962, 1963, and 1964 for three important farm types in the Bluegrass area are as follows:

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>Percentage change</u>	
				<u>1962</u>	<u>1963</u>
Tobacco-livestock farms, Inner Bluegrass Area.....	\$7,836	\$9,786	\$6,530	-17	-33
Tobacco-dairy farms, Intermediate Bluegrass Area..	2,809	3,448	2,678	-5	-22
Tobacco-dairy farms, Outer Bluegrass Area	5,429	6,288	5,323	-2	-15

Incomes in 1964 were down chiefly because of significant reductions in tobacco production. Acreage allotments were reduced 10 percent, and widespread drought reduced tobacco yields per acre. Average yields of all crops except wheat were below those of 1963.

Livestock production per farm, except sheep and hogs, increased slightly in 1964, but prices received for beef animals averaged lower than in 1963.

Total land per farm continued to trend upward, but acreage harvested continued to decline (table 1). The only crop increasing in acreage harvested was alfalfa hay.

Tobacco-Livestock Farms, Inner Bluegrass Area

returns from cattle and calves (table 3).

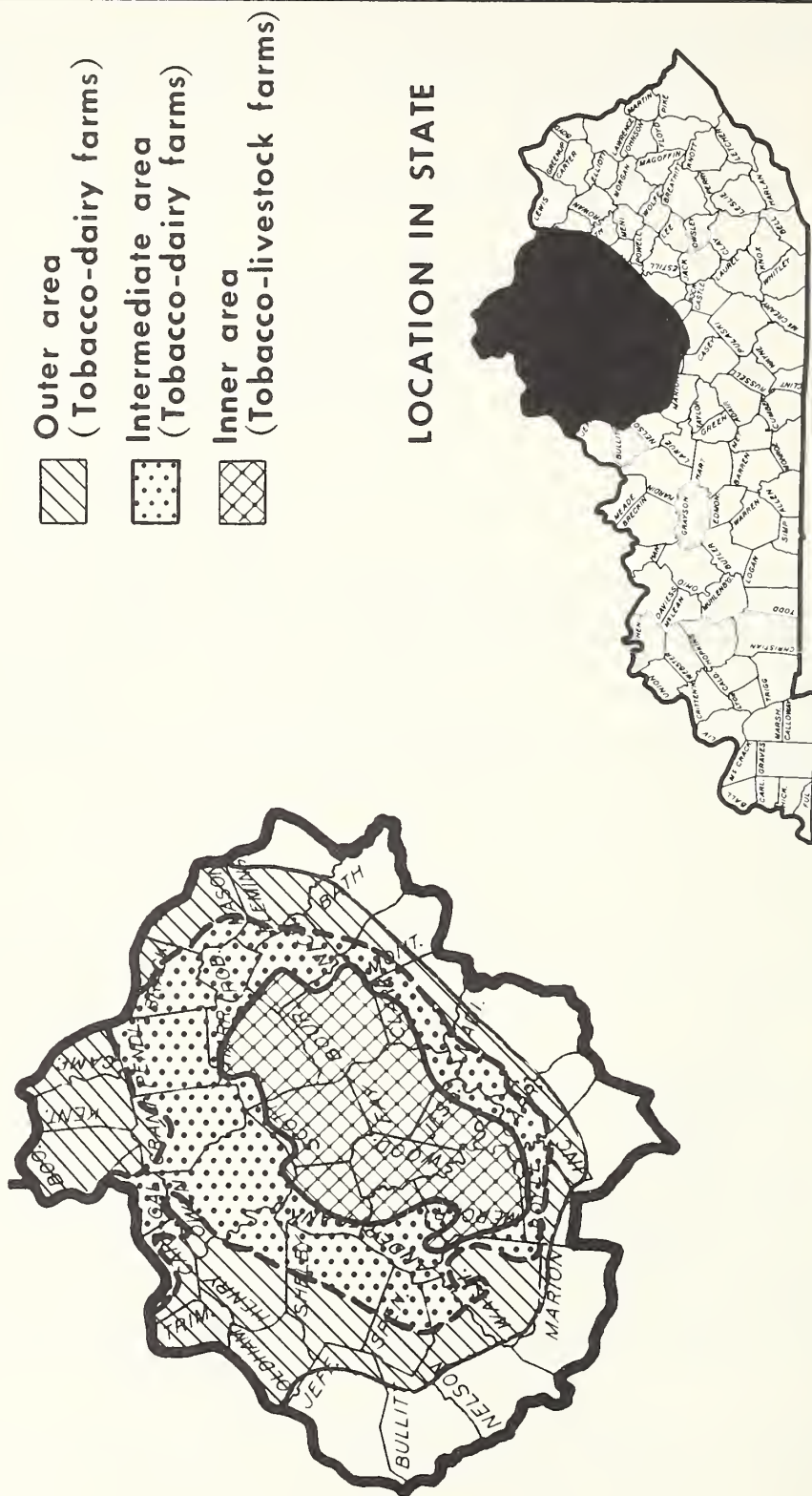
In 1964, gross farm income on tobacco-livestock farms in the Inner Bluegrass was down \$3,295 from a year earlier (table 2). The chief reasons for the decline were a drop of approximately 24 percent in receipts from tobacco and lower

Prices received for tobacco averaged about the same as in 1963. However, in addition to the allotment reduction, tobacco yields per acre were down 13 percent. Yields were lower because of prolonged drought during the growing season.

¹ Agricultural Economist, Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, and Professor of Agricultural Economics, University of Kentucky, respectively. The Kentucky Agricultural Experiment Station is a cooperator in the continuing study of costs and returns on tobacco-livestock farms in the Bluegrass area of Kentucky.

BLUEGRASS AREA OF KENTUCKY

Location of Types of Farms Studied



U. S. DEPARTMENT OF AGRICULTURE

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Figure 2

Table 1.- Size, organization, and production, tobacco-livestock farms,
Bluegrass Area, Kentucky, 1963 and 1964

Item	Unit	Tobacco-livestock farms,			Tobacco-dairy farms,			Tobacco-dairy farms,		
		Inner Bluegrass			Intermediate Bluegrass			Outer Bluegrass		
		Area			Area			Area		
		1963	1964 1/		1963	1964 1/		1963	1964 1/	
Land in farm.....	Acre	217	222		115	116		134	136	
Cropland harvested.....	do.	57.4	52.6		23.1	21.5		40.8	40.2	
Crops harvested:										
Tobacco.....	do.	8.3	7.5		2.4	2.1		3.3	3.1	
Corn for grain.....	do.	10.2	9.6		4.7	3.5		7.2	7.1	
Corn for silage.....	do.	---	---		---	---		4.6	4.6	
Small grains.....	do.	3.7	2.4		---	---		2.2	1.9	
Alfalfa.....	do.	18.9	20.2		9.0	9.9		12.1	13.4	
Other hay.....	do.	16.3	12.9		7.0	6.0		11.4	10.1	
Crop yields per harvested acre:										
Tobacco.....	Pound	2,250	1,960		2,090	1,799		2,176	1,929	
Corn for grain.....	Bushel	86	63		70	60		82	74	
Corn for silage.....	Ton	---	---		---	---		18.2	14.0	
Wheat.....	Bushel	32	32		---	---		---	---	
Alfalfa.....	Ton	3.1	3.0		2.0	1.6		2.8	2.6	
Other hay.....	do.	1.8	1.5		1.6	1.4		1.6	1.4	
Livestock on farm, Jan. 1:										
Beef cows.....	Number	34.6	36.3		---	---		---	---	
Milk cows.....	do.	---	---		10.5	10.9		18.4	19.1	
Brood sows.....	do.	2.9	2.7		---	---		1.3	1.2	
Ewes.....	do.	47.4	42.5		---	---		---	---	
Milk production per cow.....	Pound	---	---		6,344	6,400		7,388	7,684	
Total farm capital, Jan. 1.....	Dollar	106,930	111,630		22,960	25,040		44,470	49,280	
Land and buildings.....	do.	91,570	96,350		16,330	18,330		32,290	36,450	
Machinery and equipment.....	do.	5,420	5,490		3,000	3,010		5,840	6,140	
Livestock.....	do.	7,910	7,610		2,780	2,740		4,890	4,780	
Crops.....	do.	2,030	2,180		850	960		1,450	1,910	
Total labor used.....	Hour	4,940	4,440		3,570	3,410		5,000	4,920	

1/ Preliminary.

Table 2.- Income, costs, and related data, tobacco-livestock farms,
Bluegrass Area, Kentucky, 1963 and 1964

Item	Unit	Tobacco-livestock farms, Inner Bluegrass Area				Tobacco-dairy farms, Intermediate Bluegrass Area				Tobacco-dairy farms, Outer Bluegrass Area			
		1963	1964	1/	1963	1964	1/	1963	1964	1/	1963	1964	1/
Gross farm income.....	Dollar	18,819	15,524		6,405	5,673		12,619	11,899				
Operating expenses.....	do.	9,033	8,994		2,957	2,995		6,331	6,576				
Net farm income.....	do.	9,786	6,530		3,448	2,678		6,288	5,323				
Index numbers (1957-59=100):													
Net farm income.....	---	138	92		137	106		138	117				
Net farm production.....	---	136	113		128	110		139	130				
Operating expense per unit of production....	---	92	105		96	108		97	107				
Production per unit of input.....	---	120	105		123	110		118	110				
Prices received for products sold.....	---	96	90		99	99		97	97				
Prices paid, including wages to hired labor..	---	107	107		106	107		108	109				

1/ Preliminary.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

Table 3.- Gross farm income, tobacco-livestock farms,
Bluegrass Area, Kentucky, 1963 and 1964

Item	:Tobacco-livestock farms,:				:Tobacco-dairy farms, :Tobacco-dairy farms,			
	: Inner Bluegrass		:Intermediate Bluegrass:		: Outer Bluegrass		: Outer Bluegrass	
	Area	Area	Area	Area	Area	Area	Area	Area
	1963	1964 1/	1963	1964 1/	1963	1964 1/	1963	1964 1/
	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>
Total cash receipts.....	17,109	14,078	5,614	5,106	11,165	11,067		
Tobacco.....	11,379	8,693	3,046	2,296	4,343	3,609		
Cattle and calves.....	3,859	3,589	627	703	1,034	1,261		
Hogs and pigs.....	645	695	---	---	351	314		
Sheep, lambs, and wool.....	1,069	986	---	---	---	---		
Dairy products.....	---	---	1,852	2,020	5,344	5,792		
Other, including Government payments....	157	115	89	87	93	91		
Value of perquisites.....	1,471	1,527	623	635	911	969		
Change in inventory, crops and livestock..	239	-81	168	-68	543	-137		
Gross farm income.....	18,819	15,524	6,405	5,673	12,619	11,899		

1/ Preliminary.

Cash receipts from livestock and livestock products were about 6 percent below those of the previous year despite an increase in quantity sold. Prices received for calves and yearlings were down sharply in 1964, by 16 and 19 percent, respectively. Prices received for slaughter cows also averaged lower, but sheep, lamb, and hog prices were about the same in both years. Beef animals accounted for 68 percent of livestock sales on these farms in 1964.

The size of the sheep enterprise continued to diminish. Fewer farms than in 1963 had sheep on them, and the average number of sheep per farm with this enterprise also declined. Gross returns per farm from the sale of sheep, lambs, and wool (including wool incentive payments) in 1964 declined 11 percent from 1963.

Receipts from hogs and pigs in 1964 were about the same as in 1963 as there was little change in prices received and quantities marketed.

Despite the reduction in size of the highly intensive tobacco enterprise, total farm operating expenses were down less than 1 percent from 1963 (table 4). Feed purchases, on the other hand, averaged \$628 higher per farm and were the chief factor offsetting lower crop expense. Because of declines in acreage and yields of feed crops in 1964, a greater proportion of the feed was purchased than in 1963. Also, there was an increase in the number of beef animals.

The cost of hired labor was nearly 7 percent less than in 1963, but the amount hired was down 10 percent. Machinery expense, including purchases, repairs, and custom hire, was below the 1963 level. With fewer

crop acres to prepare, cultivate, and harvest, machinery operating costs declined. Custom hire for the application of chemical materials on tobacco declined principally because of the smaller tobacco acreage. Also, because of the dry season, fewer applications were needed to control insects and sucker growth.

The cost of fertilizer was only slightly lower in 1964 as heavier applications per acre partly offset fewer acres fertilized.

Prices paid for goods and services used in production on these farms averaged the same in 1963 and 1964.

Tobacco-Dairy Farms, Intermediate Bluegrass Area

Gross returns on tobacco-dairy farms in the Intermediate Bluegrass area were 11 percent lower than in 1963. Cash receipts from tobacco declined \$750 per farm. Tobacco yields per acre averaged only 86 percent of the record high of 1963. The drop in yield per acre, combined with the cut in acreage allotment, reduced tobacco production per farm by 1,238 pounds. Prices received for tobacco averaged \$60.77 per 100 pounds compared with \$60.72 in 1963.

Milk sales were up \$168 per farm in 1964 because of a slightly larger milking herd, greater production per cow, and a small increase in the price received for milk.

Receipts from cattle and calves were a little higher than in 1963 because of a larger quantity marketed. Prices received for slaughter cows and for calves averaged slightly lower.

Table 4.- Operating expenses, tobacco-livestock farms,
Bluegrass Area, Kentucky, 1963 and 1964

Item	:Tobacco-livestock farms,:		:Tobacco-dairy farms,:		:Tobacco-dairy farms,:	
	: Inner Bluegrass		: Intermediate Bluegrass		: Outer Bluegrass	
	Area		Area		Area	
	1963	1964 1/	1963	1964 1/	1963	1964 1/
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Total cash expenditures.....	9,017	8,668	2,868	2,798	6,468	6,739
Feed purchased.....	741	1,369	382	515	1,239	1,377
Livestock purchased.....	763	580	20	19	---	---
Other livestock expense.....	196	186	85	91	221	222
Fertilizer and lime.....	760	749	302	284	460	451
Other crop expense.....	470	410	175	148	297	262
Machinery.....	2,077	1,840	1,220	1,064	2,415	2,459
Farm buildings and fences.....	920	670	129	143	540	667
Labor hired.....	1,945	1,812	183	181	666	679
Taxes.....	495	500	116	126	218	238
Other.....	650	552	256	227	412	384
Inventory adjustment, machinery and buildings..	16	326	89	197	-137	-163
Total operating expenses.....	9,033	8,994	2,957	2,995	6,331	6,576

1/ Preliminary.

Operating expenses were up slightly, as increased feed cost offset lower crop expense. Grain and hay production declined; both acreage and yields per acre of these crops dropped below 1963 levels. Less home-produced feed, combined with higher feeding rates and an increase in the number of livestock units fed, resulted in a higher cash outlay for feed.

Increased rates of application partly offset fewer acres fertilized, and the cost of fertilizer materials was only a little below 1963. Use of insecticides and other chemical materials on tobacco declined because of the smaller acreage, and infestation was generally lessened by the drier season.

Machinery expenses declined in 1964 as machine operating cost, purchases, and custom hire were all down from the previous year.

Prices paid for production goods and services averaged a little higher than in 1963. Among items with higher prices were farm machinery and wage rates.

This information is for farms producing tobacco and milk for manufacturing purposes. This is still the most common type of farming in the Intermediate Bluegrass area. However, in recent years, many farmers have quit dairying. Much of this hill area lies close to urban areas, where some off-farm employment is available. Such a location affords the opportunity for part-time farming combined with a full or part-time off-farm job. In some cases, farmers taking off-farm jobs quit milking and "turn out" the cows with their calves. They either continue to raise the tobacco crop with the help of hired labor or rent it out.

Tobacco-Dairy Farms, Outer Bluegrass Area

In 1964, gross farm income on tobacco-dairy farms in the Outer Bluegrass area averaged 6 percent below the previous year's high. Lower receipts from tobacco offset increased milk sales and were largely responsible for the decline. Cash receipts from tobacco averaged \$3,609, 17 percent below 1963. Tobacco production per farm dropped 1,313 pounds because of the cut in acreage and reduced yield per acre. Tobacco yields averaged about 87 percent of the record-high yield of 1963. Prices received for tobacco were a little higher in 1964, averaging \$60.35 per 100 pounds compared with \$59.55 in 1963.

Milk receipts were up 8 percent because of greater production and an increase in average prices received. There was also an increase in size of milking herd as well as in milk production per cow.

An increase in quantity of cattle and calves sold offset lower prices received; receipts from this source were greater than in 1963. Although the size of the milking herd increased, these farmers apparently culled closely in 1964 and kept fewer calves and replacement heifers on hand than in previous years.

Operating expenses per farm in 1964 were about 4 percent above 1963. Higher feeding rates for the larger milking herd increased feed requirements. Less feed was produced on the farm in 1964, resulting in a higher cash outlay for feed.

Expenditures for hired labor were a little higher than in 1963. The quantity hired was about the same in both years, but wage rates were higher in 1964.

Machinery costs, including custom hire, were up slightly in 1964 as expenditures for milk hauling, machinery repairs, and other machinery operating costs were moderately higher. The quantity of machinery bought in 1964 was down, but prices paid for machinery were higher, and there was a little increase in the outlay for machinery purchased.

Higher rates of fertilizer application nearly offset the decline in

acreage fertilized, and the cost of fertilizer was only a few dollars less than in 1963. The cost of insecticides and other chemical materials declined because of the smaller tobacco acreage and the especially dry season.

Prices paid for all production goods and services used on these farms in 1964 were an alltime high, averaging a little higher than in 1963.

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